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"Impact of Microfinance Institutions on Micro and Small Enterprises: A Study in Yemen"

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1 Introduction

Many impoverished countries, including Yemen, have insufficient or no access to financial resources (Schneider, 1997; Latifee, 2000; Deb & Suri, 2013). Because of this lack of access to financial resources, the poor have been unable to access formal financial resources in order to engage in income-generating activities to sustain themselves and their families (Helmes, 2006). Research backs up some of the reasons for this financial exclusion. Notably, because of information asymmetry difficulties, a lack of credit history, the perceived risk associated with the poor, weak or non-existent creditor protection measures, and a general moral hazard by the traditional financial system, persons are prohibited from the official financial system (Lash, 2008; Haag & Henschel, 2016). According to Pathak and Varshney (2017), remoteness from markets, insufficient access to suppliers, poor business infrastructure, and a lack of qualified labour make some individuals and their Micro and Small Enterprises (MSEs) less desirable to traditional financial institutions such as commercial banks when seeking finance. As a result, financially excluded individuals who are generally underprivileged will be unable to explore several entrepreneurial alternatives, create employment, and have a sustainable income, all of which contribute to poverty reduction. Because of the aforementioned financial exclusion concerns, microfinance institutions have become a major source of funding in the development of entrepreneurial possibilities for the underprivileged with the hope of decreasing poverty through their MSEs (Johnson & Rogaly, 1997; Morduch, 2000; Brau & Woller, 2004; Copestake, 2007).

Micro and Small enterprises (MSEs) play a significant role in global economic growth, particularly in developing nations, because they contribute to economic growth. MSEs positively contribute to the economy's Gross Domestic Product (GDP), job creation, and entrepreneurial development (SME Corporation Malaysia, 2014; Tambunan, 2014). MSEs development is also linked to speeding the fulfilment of broader economic and socioeconomic goals, such as poverty alleviation (Cook, 2001). The MSEs sector generates income for small entrepreneurs, most of whom originate from low-income families (Rahman & Ahmad, 2010), improving their living conditions. Furthermore, MSEs are expected to create jobs, eliminate poverty, and propel a resilient economy (Asian Development Bank, 2014). Concerns concerning the growth and development of MSEs remain at the forefront of policy debates (Cook, 2001), as MSEs account for the majority of enterprises in most developing nations. According to the most recent numbers given in the Economic Census of the Profile of MSEs

conducted by the YMIT, MSEs constituted 97.58 % of 27,796 companies in the manufacturing field in Yemen in 2014.

Microfinance research is scarce in Yemen. The majority of extant microfinance research in Yemen has been theoretical in character. The current study is critical in determining the impact of Microfinance Institutions (MFIs) services on the performance of Micro and Small Enterprises (MSEs) and also the mediating effects of the level of satisfaction in Yemen.

2 Conceptual Framework

2.1 Definitions of Microfinance

As Roodman (2010:1) summarized: "There are different definitions of microfinance, some of which evolved using the novel delivery mechanisms created during the last twenty-five years."

Microfinance provides financial services to low-income clients, such as consumers and self-employed individuals, who traditionally have limited access to banking and related services. Microfinance institutions are those that specialize in making very modest loans to extremely impoverished people in developing countries. Rather than relying on collateral to ensure repayment, these lenders rely on social pressure within the borrower's community.

The distribution of small loans (microcredit) to the impoverished helps the MSEs engage in productive activities or grow their business. The phrase may also refer to a wider variety of financial services, such as credit, savings, and insurance. According to Rouse (2012:1), microfinance involves the provision of savings accounts, loans, insurance, money transfers, and other banking services to customers who do not have access to standard financial services, typically due to poverty. The Consultative Group to Assist the Poor (2013:1) defined microfinance as financial services for poor and low-income consumers provided by various sorts of service providers.

Roodman (2010:5) added to the definition of microfinance by claiming that it is the business-like provision of financial services to the poor and provides financial services to the poor in ways that rely on outsiders, particularly socially motivated ones for money and guidance.

This study defined microfinance institutions strictly, referring to the government and non-government organizations, non-bank financial institutions, commercial banks that specialize in microfinance as described above, and other microfinance programs.

2.2 Microfinance Services

MFIs anywhere in the world provide a diverse portfolio of financial and non-financial services and meet the needs of their clients with such flexibility. The study of microfinance concluded that to be effective, MFIs must provide a broader range of services and more flexible contracts. Greater responsiveness to poor people's needs can increase impact and achieve sustainability.

Microfinance entails going beyond the provision of microcredit, and this has usually been framed in terms of including other services, which include; savings, insurance, consumption, loans, training, advisory and other financial and non-financial services (Rutherford, 2000). In other words, microfinance can enhance a range of financial services that seek to meet the needs of poor People by protecting them from fluctuating incomes and other shocks and helping them to promote their incomes and livelihoods (Rogaly *et al.*, 1999).

2.3 Microcredit

Microcredit is a typical service of microfinance that consists of a very modest loan given to an individual to assist them in becoming self-employed or growing a small business. These borrowers are typically low-income, primarily from less developing countries (LDCs). Microcredit is called "microlending" or a "microloan."

2.4 Training

MFIs also provide technical programs or technical instruction to small companies in the fields of personnel control, inventory management, and other basic accounting practices. Education in specific areas typically takes no longer than 30 minutes to develop and motivate entrepreneurs' financial literacy. Accounting or financial literacy enables company owners or management to make fair and objective financial choices that will help their companies prosper.

2.5 Advisory

MSEs are primarily focused on expansion but lack a firm foundation of management skills. Their ability to access capacity-building opportunities will heavily influence growth and their ability to use financial services effectively. Loan officers can provide counseling throughout the appraisal and monitoring of loans, either intentionally or unintentionally, to help borrowers understand what they need to pay attention to, analyze their current condition, and prepare for the future. Loan staff at some MFIs frequently assist and guide prospective

borrowers in developing business plans and other documentation to support their loan requests. Loan contract covenants can be helpful in providing guidance, though their impact on building MSE management skills is minimal. Clients of MSEs face persistent issues that financial institutions will be unable to address only through the loan procedure. Those who want to help their clients grow (while also protecting their own investment) may desire to offer further consulting services, either directly or by referring clients to suppliers of business development services such as training services.

2.6 Definition of MSEs in Yemen

In Yemen, there is no universal definition of MSMEs. The First Industrial Survey was the first effort to define enterprises (CSO and Ministry of Industry and Trade). The poll primarily addressed manufacturing businesses, classifying small businesses as having 1-4 people, medium businesses as having 4-9 employees, and big businesses as having more than ten employees (Industrial Survey 1996).

MSMEs were classified as self-employed (1 worker), small enterprises with 2-4 workers, and medium enterprises with 5-50 employees in the MSE Survey Conducted (2000). This classification is based on survey results, which suggest that self-employed micros account for 72 % of all businesses. The government did not formally embrace this term. The Cabinet-adopted National Small and Micro Enterprise Development Strategy (2005) defined micro-enterprises as those with 1-4 employees, small enterprises with 5-50 employees, and large enterprises with more than 50 employees, all of whom are working owners. This is arguably the only "official" definition of MSMEs not utilized solely for research purposes. The lack of a uniform definition for MSMEs indicates the governments' disinterest in the sector. An authoritative definition will serve as a common language for individuals involved in the industry. It will aid in avoiding confusion and redundancy, direct focus to actions that support the sector, and assist in a future study to better understand the sector. Any definition should be exact, considering the features of Yemen's sector as a component of the broader economy. Based on other countries' experiences, it should consider the number of employees, capital investment/turnover, and ownership/market share. The definition should include thresholds based on the sector and stage of development of the country's various sectors. This study will use the following definition: Micro enterprises have up to four employees, both formal and informal, small enterprises have five to fifty employees, and medium enterprises have 51 to

100 employees. This criterion is one third of that used by the World Bank definition of SMEs, and half the threshold used by UNDP.

Table 1 Definition of MSMEs in Yemen

Company category	Employees
Micro	1-4
Small	5-50
Medium-sized	51-100

Source: National Small and Micro Enterprise Development Strategy (2005)

3 Statement of the Problem and Research Questions

Poor access to finance can derail a good business idea, limiting MSEs' ability to grow and survive in the market. Finance has been identified as an important component of the development of MSEs (Cook, 2001). Inaccessibility to credit can hinder the development of MSEs and slow Yemen's economic development. This is because of the performance of MSEs improves employment, living standards, and GDP growth. MSEs cannot invest in new equipment or production inputs unless they have access to credit. Furthermore, they are unable to hire workers, which may impede the growth and sustainability of their businesses. In addition to the financing problems, Yemen is now experiencing the world's worst humanitarian crisis. Fighting has devastated its economy and has destroyed critical infrastructure since early 2015. According to the UN, 24.3 million people were "at-risk" of hunger and disease in 2021, with 14.4 million in urgent need of assistance. The Yemeni riyal's value continues to fall to new historic lows, driving up food prices and pushing more people into extreme poverty. Due to declining remittances, trade disruptions, severe fuel supply shortages, and reduced humanitarian operations, economic conditions are rapidly deteriorating. Growing violence and fragmented macroeconomic policies have exacerbated already precarious economic conditions. A historic humanitarian crisis persists, exacerbated by COVID-19, leaving many Yemenis reliant on aid and remittances (The World Bank, 2021). As a result of the war in Yemen since 2015, the payment of salaries to employees in the government sector has stopped, which has also led to a significant crisis for employees.

Capital scarcity has been one of the significant impediments to many countries' economic development. The provision of microcredit to entrepreneurs and small business owners has

recently become one of the tools used to support the economies of developing countries, as it enables them to solve the problem of capital scarcity, allowing them to establish small businesses, increase their number, survive, grow, expand, and develop, resulting in their spread. This spread is expected to generate a large small business industry, which is expected to impact the economy positively. Microfinance institutions and banks have been used to help small enterprises with assistance and microcredit. Many experiments have been conducted in Yemen by the Yemeni government and its supporters from friendly and brotherly nations to enhance Yemen's economy, but Yemen remains a developing country and one of the poorest countries in the Arab world. Yemen's microfinance programs began in 1997. Some failed for various reasons, but microfinance persisted with the cooperation of the government and donors. This endeavour culminated in the passage of the Microfinance Banking Law and the establishment of two microfinance banks in Yemen, Al-Amal Microfinance Bank, and AlKuraimi Islamic Microfinance Bank. Regardless, while the microfinance sector has achieved success in many nations, there are undoubtedly other countries where the microfinance industry is said to have failed in its purpose of assisting poor and low-income people in establishing and expanding small companies. In an article published on the website of the Guardian Professional newspaper, Bateman (2013) portrayed microfinance in South Africa as a disaster, pointing to the collapse of small enterprises after that its proliferation. Different surroundings, stages of microfinance development, legislation, and financial institutional structures in each nation can explain some additional causes. Such shifts and contentious viewpoints compel researchers to investigate the impact of microfinance in their respective countries.

Therefore, the present study explores the impact of MFIs services on the performance of MSEs in Yemen.

This study tries to answer the main research question: What is the impact of Microfinance Institutions (MFIs) services on the performance of Micro and Small Enterprises (MSEs) in Yemen?

Based on the previous studies, the following research questions will be addressed in this study.

1. What is the impact of microcredit provided by MFIs on the performance of micro and small enterprises (MSEs) in Yemen?
2. What is the impact of training provided by MFIs on the performance of micro and small enterprises (MSEs) in Yemen?

3. What is the impact of advisory provided by MFIs on the performance of micro and small enterprises (MSEs) in Yemen?
4. What is the impact of MFIs services on the level of satisfaction of the beneficiaries?
5. Does the mediating effect of the level of satisfaction on the relationship between MFIs services and the performance of MSEs in Yemen?
6. What are the differences in the respondents' opinions towards the impact of services provided by MFIs on the performance of MSEs in Yemen?
7. What are the most challenges and difficulties facing the MFIs and MSEs in Yemen?

4 Review of Literature

4.1 Literature Related to Microfinance Institutions (MFIs) and not Involving (MSEs) as Dependent variables:

Agbola *et al.*, (2017) The objective of this article is to gain a deeper understanding of the impact of microfinance on poverty reduction and welfare indicators, including health, education, and living standards, in Northeastern Mindanao, Philippines. It was observed that somewhat more than one in five households are multidimensionally poor, with non-client households being poorer than client households. Microfinance client households have better earnings and savings than non-client households, suggesting that microfinance has had a moderately positive effect on poverty reduction. On the basis of the impact of microfinance on poverty reduction, it is proposed that policymakers in the Philippines implement measures to promote and increase access to microfinance, which can reduce poverty and enhance the well-being of the poor and marginalized.

Mahal & Rahman (2019) Microfinance provides small-scale credit services to rural and urban individuals who own and operate small or micro-enterprises. This concept has already transformed the growth of Bangladesh. Microfinance Institutions (MFIs) might be one of a developing nation's entry points to growth. Bangladesh is the origin and founder of the microcredit platform. MFIs play a crucial role in guaranteeing the economic success of Bangladesh, particularly in rural regions, where most of the population resides. The paper is descriptive in tone and focuses on the impact of MFIs on the general economic position of the country, evaluating significant sectoral developments like the development of the SME sector, the reduction of unemployment, the empowerment of women, and the development of rural areas. For this investigation, a field survey with a standardized questionnaire was done. According to the study's findings, all selected criteria are positively associated with the

behaviors of MFIs. MFIs contribute to the emancipation of women, the acceleration of rural sector growth, the elimination of unemployment, and the growth of the SME sector. These institutions contribute to the expansion of credit facilities outside the banking system, notably in rural regions of the nation.

Weerasinghe & Dedunu (2017) This study was conducted to evaluate the impact of microfinance on the living conditions of the poor in Sri Lanka, with a particular focus on microcredit, advisory services, and micro saving. This study demonstrated statistically significant relationships between microcredit, advising support, saving, and the living conditions of disadvantaged individuals. Similarly, the regression findings indicated that microloans, advising support, and micro-savings considerably impacted the living standards of the area's poor. The study recommends that microfinance institutions provide more microloan options with advisory support about loan management, starting a business, preparing a business plan, and identifying customer requirements through a continuous training program to improve poor people's living standards and entrepreneurial skills. In addition, the study advises that microfinance institutions offer enticing savings options to improve the standard of living of the poor in the neighborhood to attract the poor in the vicinity of businesses.

Literature Related to Microfinance Institutions (MFIs) and not Involving (MSEs) as Dependent variables in Yemen:

Al-Shami *et al.*, (2014) The significance of microfinance organizations in reducing poverty and improving well-being has aroused the interest of policymakers in developing countries such as Malaysia and Yemen. By providing microfinance services, the poor can participate in the economy by establishing small businesses, according to the underlying premise. As a result, they will be able to generate income and strengthen their families and sense of self-worth and efficacy. Despite its popularity and apparent success, there is no solid evidence that microfinance schemes positively affect. Consequently, this study aims to provide a conceptual framework for the role of Malaysian and Yemeni microfinance in promoting the well-being of the poor. Client health relates to the performance and empowerment of clients' families and micro and small businesses.

Alshebami & Khandare (2015) This study aims to perform a theoretical analysis of Yemen's Islamic microfinance industry and evaluate its challenges and potential. The study revealed a potential market for Islamic microfinance, but its growth and development face various

obstacles. Finally, the researcher concluded the investigation by generating ideas that could contribute to the development of the industry.

Alshebami & Rengarajan (2017) This article aims to examine the various types of obstacles impeding the growth and development of microfinance institutions in Yemen and to provide pertinent advice that may be used as a backup when executing remedial measures. Some of these obstacles include but are not limited to insufficient capital for financial activities and poor physical infrastructure in rural areas. In addition, there is a shortage of competent human resources, a lack of product and service diversification, political instability in the country, a misunderstanding of lending to the poor, and many other problems. Critical corrective actions include investing money and creating integrated financial solutions that include microinsurance. These two crucial ones and financial links between MFIs and conventional banking institutions should be implemented to achieve additional development. The study suggests that various concerns and obstacles prohibit MFIs from advancing and achieving their goal in terms of reaching out to the poor.

Alshebami & Khandare (2015) This study aims to determine the barriers to women's empowerment in Yemen. The given study focuses on Yemen between the years 1997 and 2013. According to the study's conclusions, several factors influence women's empowerment in Yemen through microfinance, such as norms and traditions, high-interest rates, financial literacy, erroneous religious attitudes, and collateral requirements. Numerous studies have shown that women who participate in microfinance programs have a positive impact on their households in a variety of ways, despite the barriers and hurdles facing women's empowerment in Yemen.

Alshebami & Khandare (2015) Recently, the imposition of interest rate caps has become one of the hottest topics in the microfinance industry; numerous debates have been held to evaluate the effect of interest rate restrictions on loan supply in particular and the microfinance industry in general. Despite the good intentions behind these ceilings, there was no conclusive evidence that they have contributed to the improvement or protection of the poor clients; rather, these ceilings have harmed the poor rather than helped them; as a result of these ceilings, the majority of MFIs have left the market or shrunk in size due to their inability to continue operating with low-interest rates, leaving the very poor clients without access to credit. As a result, this study aims to assess the impact of imposing such limits on interest rates and identify viable alternatives.

AboHulaika & Laturkar (2016) This article explores the challenges and opportunities related to microfinance in Yemen. The research included the years 1997 through 2015. Several factors, including a lack of experience and weak intermediaries, underdeveloped infrastructure, cultural barriers and attitudes, client incapacity, high-interest rates, poor management, and a lack of professional skills, financial literacy, and religious perception, are influencing the development of microfinance in Yemen, according to the study's findings. Through creativity and experimentation, Yemen could build its model for sustainable microfinance that considers its difficult local circumstances.

Alshebami *et al.*, (2020) Reducing poverty and generating new employment opportunities for excluded poor people is based on the deployment of essential tools required to help them escape their precarious circumstances. Consequently, this objective can be attained if poor people are given an integrated package of pro-micro financial products and services essential for establishing their businesses, managing potential risks, saving for the future, and developing the required skills and competencies. Due to its significance, it was necessary to investigate the views of microfinance borrowers on the values of microinsurance among borrowers in Yemen and whether they view it as a potential product or not, in addition to determining their level of awareness, their perception of its significance, and their future orientation toward it. Respondents reported a high degree of support for the values and benefits of microinsurance, as well as a desire to apply for microinsurance products and services in the future if they were affordable and had a suitable microinsurance premium, according to the findings. The findings also indicated that the study's sample has almost no awareness of microinsurance and its products and services in Yemen, highlighting the urgent need to put more effort into disseminating microinsurance culture among the general population, as this will increase demand for microfinance projects. Finally, the study strongly urges that the legal and physical infrastructures required to introduce microinsurance in Yemen be established immediately. This should be accompanied by a considerable microinsurance campaign to improve borrowers' understanding of microinsurance and its benefits.

AboHulaika (2018) This study aims to evaluate the efficiency of Yemeni microfinance institutions in terms of loan officer efficiency and operational independence. In this study, the empirical method is applied. The population of this study consists of eleven Yemeni Microfinance Institutions. The collected data were derived from both primary and secondary sources. Questionnaires and open-ended interviews were used to collect primary data, while

secondary data was collected from many resources. According to the study's principal findings, the majority of Yemen's microfinance institutions are inefficient in terms of loan officer efficiency. Based on the study's findings, major recommendations and suggestions were made to strengthen, improve, and boost the effectiveness of Yemen's microfinance institutions.

4.2 Literature Related to Micro and Small Enterprises (MSEs) and not Involving (MFIs) as independent variables:

Soumya & Jayaprada (2018) The purpose of the study named" Influence of Selected Government Policies on MSMEs: Evidence from Odisha and Andhra Pradesh" was to measure the impact of selected government policies on the finances of MSMEs, the quality of their product, and overall enterprise development. An attempt is made to comprehend the variations in perceptions among policymakers, policy implementers, and policy beneficiaries (MSMEs), which give rise to the gaps that render policies ineffective.

Thomas (2017) investigated the impact of numerous parameters on the performance of MSEs. Finance and credit are two of the aspects studied in order to determine their impact on MSE performance. The study discovered that access to money is one of the most crucial factors confronting MSEs, strongly impacting MSEs' performance. Limited access to financing, high-interest rates, bureaucracy in obtaining finance, and a lack of financial management skills result in less manufacturing activity and a lower level of competition owing to the inability to purchase essential technology and limited production facility resources. The researcher proposed numerous alternatives to address these issues, including boosting the saving culture, looking for different ways of financial access, growing the number of financial institutions and their capacity, and lastly, reviewing interest rates. The study revealed that MSE finance and credit concerns significantly impact and are more challenging to fix. It is one of the factors that accounted for the majority of the causes of 50% of drop-out.

Joseph (2015) According to this study, credit sources influence the performance of SMEs. The study found that SMEs should avoid financing programs with excessive interest rates and terms and conditions. These types of credits have a negative impact on the performance of SMEs. In truth, the study was entirely focused on informal lending, but it ultimately demonstrated that credit has an impact on the performance of SMEs. Reduced credit costs and flexibility were discovered to improve credit access, which led to improved business performance.

Literature Related to Micro and Small Enterprises (MSEs) and not Involving (MFIs) as independent variables in Yemen:

Abdullah *et al.*, (2015) The objective of this article is to examine the amount of e-business adoption among Yemeni small and medium-sized enterprises (SMEs) and investigate the advantages and disadvantages of employing e-business in developing nations such as Yemen. The case study employed both quantitative and qualitative methods. The paper utilized a range of approaches to acquire a comprehensive understanding of e-business adoption among SMEs. Initially, semi-structured interviews with the management of SMEs were conducted. Second, a survey questionnaire was utilized to generalize and validate the findings from the first stage across the population of SEMs. 76.5 percent of SMEs have 10 to 49 employees, showing that most are medium-sized enterprises. In addition, around 51 percent of the SMBs had been in operation for ten years or less, while 49 percent had been in existence for more than ten years. According to the findings, Yemeni SME e-business adoption is still in its infancy. It also identifies factors that inhibit Yemeni SMEs from adopting E-business.

Saleh & Manjunath K. R (2020) The World Bank and the United Nations consider Yemen's economy to be the poorest and least developed in the MENA region. Yemen's economy has recently experienced economic instability as a result of the 2011 outbreak of political turmoil, which has now escalated into violence, hindering development efforts and causing damage to the infrastructure and commercial sector. This study aims to provide an overview of entrepreneurial endeavors performed in Yemen during this period of insecurity, concentrating on the difficulties of entrepreneurship and the opportunities that could likely ignite entrepreneurial ventures in the country.

Aliriani (2012) Micro, Small, and Medium enterprise (MSME) sector is essential to Yemen's economy. MSMEs are the country's largest employers, employing thousands of individuals annually. In contrast, micro, small, and medium-sized enterprises (MSMEs) face enormous challenges, such as inadequate infrastructure, difficulties obtaining raw materials, a lack of technical support, difficulties locating and adopting new technologies, a lack of qualified personnel, and a lack of financing options. In addition, they confront onerous licensing requirements imposed by bureaucratic and opaque government entities and over-taxation and other problems. In a country where substantial investment projects are severely limited and constrained by various factors, including the unstable political climate, the only choice for policymakers is to take the necessary steps to improve this sector. The Yemeni government

has recognized MSMEs as one of its economic drivers but has failed to take the necessary steps to develop them. There is an immediate need to set an official definition for the sector and establish a specialized body to oversee the development of MSMEs in Yemen.

Saleh & Manjunath (2021) This study examines the levels of entrepreneurial activities and entrepreneurial support in Afghanistan, Bangladesh, Rwanda, Sudan, and Yemen, the five least developed nations. The findings revealed that the least developed countries do not view the SME sector as a crucial area for economic development. Rwanda is regarded as the benchmark among the five nations regarding entrepreneurial development success. Implications for Practice: A model of the critical drivers of entrepreneurial development is given based on the numerous experiences studied in the study. Like Rwanda, it would act as a road map to move the economy toward entrepreneurial change. The study proposes a paradigm for adopting entrepreneurial change that future research may examine and confirm. The report also strives to inform policymakers and international development partners of the need to encourage entrepreneurial activity in LDCs.

4.3 Literature Related to the impact of Microfinance Institutions (MFIs) on Micro and Small Enterprises (MSEs):

Atambo (2016) The study aims at assessing the impact of microfinance institutions on the expansion of small and medium-sized enterprises in Kisii. How microfinance institutions provide financing affects the growth of small and medium firms in Kisii town. How advisory services influence the growth of small and medium enterprises in Kisii town. According to the data, the financing provided by MFIs in Kisii stimulates the growth of the city's SMEs. In addition, the city's microfinance institutions view loan processing speed as the most challenging loan accessibility regulation. Employees of MFIs in Kisii agreed that their institution's advisory services substantially impact the growth of SMEs in Kisii. The training programs offered by the city's microfinance institutions assist small and medium-sized businesses in increasing their profitability. Microfinance services consequently influence small and medium-sized business growth projections. The report recommended that the government establish policies that stimulate the growth of small and medium-sized firms by providing a conducive business environment, making loans available, and working with MFIs to provide training and advisory services. Every small to medium-sized enterprise operator should pursue additional education to enhance their management skills.

Aladejebi (2019) Small and medium-sized firms (SMEs) play an essential role in the Nigerian economy, particularly in employment growth, productivity, and poverty reduction. This study aimed to examine the effect of Microfinance Banks (MFB) on the growth of small and medium-sized enterprises (SMEs) in the Lagos metropolitan area. The questionnaire was broken into two sections. Section 1 offers general information, while Section 2 has questions regarding the effects of micro-savings on financial performance, the effects of microcredit on the financial performance of SMEs, the effects of training on the financial performance of SMEs, and financial performance. The majority of SMEs who utilized MFB products experienced financial growth.

Kapoor & Dhaka (2017) Examine the impact of microfinance institutions (MFIs) on the growth and development of micro, small, and medium-sized companies (MSMEs). This paper seeks to do the same by surveying 67 MSME proprietors in Uttar Pradesh across six villages in the Ghaziabad and Baghpat districts: Kurrumpur, Suhana, Khindaura, Patla, Salemabad, and Mavikala. The effects of credit on elements such as profitability, physical assets, and capital structure were examined. According to the Chi-Square test, the results revealed a positive link between MFI credit and sales revenue, physical assets, and capital structure; however, according to the Pearson's Correlation factor, there is no relationship between MFI credit and profitability. Therefore, it is possible to conclude that MFI financing positively affects the growth and development of MSMEs.

Literature Related to the impact of Microfinance Institutions (MFIs) on Micro and Small Enterprises (MSEs) in Yemen:

Fararah *et al.*, (2014) This study aims to examine the effect of Business Development Services (BDS) on the level of acquaintance with the Islamic Microfinance System and small and medium-sized enterprises (SMEs) in Yemen. Based on the significance of small and medium-sized enterprises in Yemen, which account for 99.6% of all businesses in the country, and their contribution to overall economic development through reducing poverty and creating new jobs. Examining the effectiveness of the Islamic microfinance system in the country's SME sector is facilitated by this article. The research found that BDS substantially impacted the happiness and perceived benefits that SME owners derived from utilizing the Islamic financial system. It was anticipated that additional data would corroborate the function of perceived benefits in mediating the relationship between satisfaction and BDS, but the moderating effects of perceived benefits on the two variables were not confirmed.

Ahmad (2012) This study investigates the role and contribution of microfinance institutions (MFIs) in developing and improving women's micro and small-scale businesses in the Republic of Yemen and how it meets their clients' needs. According to the findings, the objective of microfinance organizations is not only to reduce poverty but also to provide money to women who wish to start their businesses. However, it does conclude that women entrepreneurs who obtain microfinance face many problems. The study reveals the overall environment that impedes the financial success of female entrepreneurs and offers suggestions to remedy the situation. If correctly utilized, women's entrepreneurship offers immense potential to enhance Yemen's economy.

Al-Absi (2016) Microfinance banks offer microcredit to aid the growth of small businesses and the economic development of nations. In contrast, the relationship between microcredit services and the growth of small businesses has gotten less consideration in other studies. This study investigates the impact of the five components of microcredit service (collaterals, loan amount, loan length, loan repayment, and interest rates) on small businesses spread in Sana'a microfinance institutions. The framework and hypotheses were established to empirically examine the relationship between the microcredit program and the growth of small enterprises in Sana'a. After measuring the relationship between each of the five microcredit service components (collaterals, loan amount, loan duration, loan repayment, and interest rates) and the small business spread separately, the results indicate that each of the five microcredit service components has a statistically significant positive correlation with the small business spread. This association holds when both the microcredit service as a whole (including all five components) and the small business spread are measured independently. In addition, the statistics reveal that loan repayment has the most significant impact on the microcredit service's effect on the expansion of small businesses, followed by loan period, interest rates, and loan amount. It was discovered that collateral had no significant effect on the small business spread.

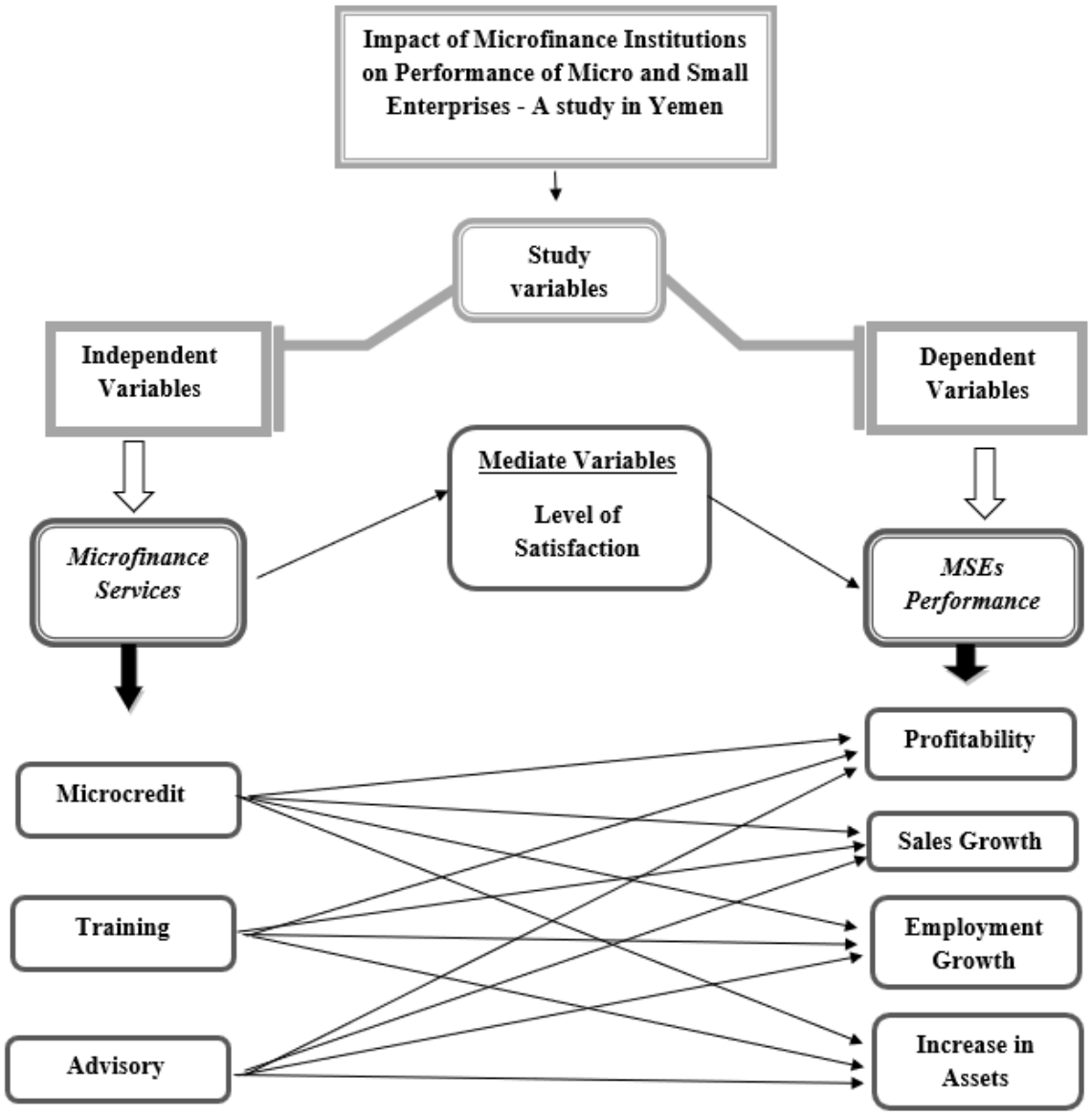
4.4 Research Gap

From the above review of literature, it is clear that no studies have been conducted in the area of the Impact of microfinance institutions on micro and small enterprises in Yemen, especially when it is mediated by the level of satisfaction of the beneficiaries. However, the sector received a relatively. Providing funds to MSEs without providing other services could not bring significant growth to the MSEs sector. It is, therefore, necessary to investigate the

factors that play a mediating role between MFIs services and the performance of MSEs. Thus, the gap this study is supposed to bridge is investigating how the services provided by MFIs can be affected on the performance of MSEs in Yemen. The mediating effect of the level of satisfaction on the relationship between MFIs services and the performance of MSEs is the gap, where sufficient studies are not yet conducted. In addition to the conceptual originality, the study employed Structural Equation Modelling to develop a causal model and analyze the direct and indirect effect of MFIs services on the performance of MSEs. Moreover, the effect of services like training and advisory finance was not well documented, and a new study is needed.

5 Conceptual Model

Figure 1 Conceptual model



Source: Compiled by Researcher

6 Objectives of the Study

General objective

The primary goal of this study is to get an understanding of the impact of Microfinance Institutions (MFIs) services on the performance of Micro and Small Enterprises (MSEs) in Yemen. As a result, the study looks into the elements that influence the performance of MSEs. The following are the precise objectives of the current study, which are based on the research questions mentioned above:

1. To determine the impact of microcredit provided by MFIs on the performance of micro and small enterprises (MSEs) in Yemen.
2. To examine the impact of training provided by MFIs on the performance of micro and small enterprises (MSEs) in Yemen.
3. To know the impact of advisory provided by MFIs on the performance of micro and small enterprises (MSEs) in Yemen.
4. To know the impact of MFIs services on the level of satisfaction of the beneficiaries.
5. To examine the mediating effect of the level of satisfaction on the relationship between MFIs services and the performance of MSEs in Yemen.
6. To know the differences in the respondents' opinions towards the impact of services provided by MFIs on the performance of MSEs in Yemen.
7. To know the most challenges and difficulties facing the MFIs and MSEs in Yemen.

7 Hypotheses Development

Direct Effect

For the study at hand, the direct effect is the impact of microfinance institutions' services, i.e., (microcredit, training, and advisory) on the performance, i.e. (profitability, sales growth, employment growth, and increase in assets) of micro and small enterprises in Yemen studied. Financial capital is still required for MSE's survival and expansion. As a result, many MSEs attempts to obtain this money through various channels, including commercial banks, personal savings, and informal sources such as relatives and friends. Due to factors like a lack of credit history, the perceived risk associated with MSEs, weak or unavailable creditor protection systems, and a lack of collateral to secure such loans, MSEs in Yemen are unable to access finance from the formal financial system, such as commercial banks. Due to the lack

of these funds, microcredit has evolved to fill the void and provide MSEs with access to the finance they need to grow and thrive. MSEs are primarily focused on expansion but lack a firm foundation of management skills. Their ability to access capacity-building opportunities will heavily influence growth and their ability to use financial services effectively; because of that, MFIs should provide non-financial services such as training and advisory to MSEs. The most popular indicators used to determine the performance of MSEs are profitability, sales growth, employment growth, and increase in assets; many studies dealt with the direct effect of microfinance institutions' services on the performance of micro and small enterprises (Akoten *et al.*,2006; Oh *et al.,* 2009; Ayyagari *et al.*,2010; Kalui & Omwansa,2015; Atiase, 2018; Ruslan,2018; and Mossa,2020). The research hypotheses formulated in this context are:

H 1: Microcredit has a significant impact on the Profitability of MSEs in Yemen.

H 2: Microcredit has a significant impact on the Sales Growth of MSEs in Yemen.

H 3: Microcredit has a significant impact on the Employment Growth of MSEs in Yemen.

H 4: Microcredit has a significant impact on the Increase in Assets of MSEs in Yemen.

H 5: Training has a significant impact on the Profitability of MSEs in Yemen.

H 6: Training has a significant impact on the Sales Growth of MSEs in Yemen.

H 7: Training has a significant impact on the Employment Growth of MSEs in Yemen.

H 8: Training has a significant impact on the Increase in Assets of MSEs in Yemen.

H 9: Advisory has a significant impact on the Profitability of MSEs in Yemen.

H 10: Advisory has a significant impact on the Sales Growth of MSEs in Yemen.

H 11: Advisory has a significant impact on the Employment Growth of MSEs in Yemen.

H 12: Advisory has a significant impact on the Increase in Assets of MSEs in Yemen.

H 13: Microcredit has a significant impact on the Level of Satisfaction of MSEs.

H 14: Training has a significant impact on the Level of Satisfaction of MSEs.

H 15: Advisory has a significant impact on the Level of Satisfaction of MSEs.

H 16: Level of satisfaction has a significant impact on the profitability of MSEs.

H 17: Level of satisfaction has a significant impact on the sales growth of MSEs.

H 18: Level of satisfaction has a significant impact on the employment growth of MSEs.

H 19: Level of satisfaction has a significant impact on the increase in assets of MSEs.

Indirect Effect

The effect of services provided by MFIs on the MSEs satisfaction is still lacking in the literature. Despite the fact that some researchers tried to investigate the MFIs service (Ellahi *et al.,* 2010; Mazanai & Fatoki, 2011). The level of satisfaction with the services provided by MFIs is an essential tool for the development of MSEs, the level of satisfaction in this study is considered an external factor (Hrzberg's, 1959). The effect of the MFIs services on beneficiaries' satisfaction is still absent in the literature. More importantly, the satisfaction from the MSEs owners' perspective with the services provided by MFIs, (microcredit, training, and advisory) is, in particular, still waiting for more research to be conducted.

This study investigated the level of satisfaction that mediates the relationship between microfinance institutions' services, i.e., (microcredit, training, and advisory) on the performance, i.e. (profitability, sales growth, employment growth, and increase in assets) of micro and small enterprises in Yemen.

This section presents the hypotheses of the indirect effect of services provided by MFIs on the performance of MSE on the various significance levels regarding all the variables.

H 20: Level of satisfaction mediates the relationship between Microcredit and the profitability of MSEs.

H 21: Level of satisfaction mediates the relationship between Microcredit and Sales Growth of MSEs.

H 22: Level of satisfaction mediates the relationship between Microcredit and the Employment growth of MSEs.

H 23: Level of satisfaction mediates the relationship between Microcredit and the Increase in assets of MSEs.

H 24: Level of satisfaction mediates the relationship between Training and profitability of MSEs.

H 25: Level of satisfaction mediates the relationship between the Training and Sales Growth of MSEs.

H 26: Level of satisfaction mediates the relationship between the Training and Employment growth of MSEs.

H 27: Level of satisfaction mediates the relationship between Training and an Increase in assets of MSEs.

H 28: Level of satisfaction mediates the relationship between Advisory and profitability of MSEs.

H 29: Level of satisfaction mediates the relationship between Advisory and Sales Growth of MSEs.

H 30: Level of satisfaction mediates the relationship between Advisory and Employment growth of MSEs.

H 31: Level of satisfaction mediates the relationship between Advisory and increase in assets of MSEs.

Differences in Groups of Respondents' Perceptions

This section presents the hypotheses of the difference in the respondents' perceptions towards the association between MFIs services and the performance of MSEs attributed to demographic variables.

H 32: There is a statistically significant difference in the respondents' perceptions towards the association between MFIs services and the performance of MSEs attributed to demographic variables.

H32.1: There is a statistically significant difference in the respondent's perceptions towards MFIs services and the performance of MSEs attributed to Gender.

H32.2: There is a statistically significant difference in the respondent's perceptions towards MFIs services and the performance of MSEs attributed to the Age Group.

H32.3: There is a statistically significant difference in the respondent's perceptions towards MFIs services and the performance of MSEs attributed to Educational Levels.

H32.4: There is a statistically significant difference in the respondent's perceptions towards MFIs services and the performance of MSEs attributed to Years of Business Experience.

H32.5: There is a statistically significant difference in the respondent's perceptions towards MFIs services and the performance of MSEs attributed to the Type of Business.

8 Research Design and Methodology

8.1 Research Design

The study was conducted on the owners of micro and small enterprises in Yemen who get access to microfinance services. The intention is to examine the impact of microfinance institutions' services on the performance of MSEs through the level of satisfaction as mediating variable. To accomplish this goal, both descriptive and analytical research method is adopted for this study. A suitable research design must be used to collect relevant data for the study, conduct successful data analysis, and produce relevant findings.

8.2 Type of Data

This study's quantitative data came from primary sources. A questionnaire was used to collect primary data for this study from 398 MSEs in Yemen. Typically, primary data are utilized to study a new research problem. In other words, primary data aids in investigating a new study phenomenon using a novel approach. According to Saunders *et al.,* (2007), primary sources are documents or occurrences from which original data for a study is gathered; along with the primary data, secondary data was gathered from various published sources such as books, journals, and so on by visiting libraries and the internet. The researcher also obtained materials such as the list of active MFI clients from the Small Enterprise Development Fund (SEDF) report for June 2021.

8.3 The Research Population

The population for this study refers to the owners of micro and small enterprises in Yemen who get access to microfinance services in Yemen. The total population for this study is 90946 active clients, who were the total clients of all the MFIs in Yemen at the time of this study.

8.4 Unit of Analysis

A unit of analysis is an important component from which data for a study is acquired. A unit of analysis is also the primary group or items chosen from a sample for a research project

(Kumar, 2014). Therefore, the unit of analysis for this study is the micro and small enterprises and their various aspects, which are being studied. Various aspects of MSEs such as access to microcredit, training and advisory services, and other performance indicators such as profitability, sales growth, employment growth, and increase in assets are measured and analyzed.

8.5 Sampling Procedure

8.5.1 Sampling Technique

This study used a proportionate stratified random sampling technique to select the sample size. Proportionate stratified random sampling is a modification of random sampling in which the population is divided into two or more relevant and significant strata based on one or more attributes. Each of the strata to which the population is divided obtains an equal chance of being included in the sample.

Proportionate stratified random sampling has been used to get information from different sizes and sectors of the MSEs who get services from MFIs. This technique is preferred because it is used to assist in minimizing bias when dealing with the population. This technique can organise the sampling frame into relatively homogeneous groups (strata) before selecting elements for the sample. According to Janet (2006), this step increases the probability that the final sample will be represented in terms of the stratified groups.

8.5.2 Sample Size Determination

The sample size is a number chosen to represent the population from which data for a study is collected (Frey *et al.*, 2000). The sample selected for this study was the active borrowers of MFIs, and it was determined by using a sample size determination formula developed by Yamane (1967) as follows:

$$n = \frac{N}{(1+Ne^2)}$$

Where:

n = the sample size

N = the finite population

e= level of significance (limit to tolerable error)

1= unit (a constant).

$$n = \frac{N}{(1+Ne2)} = \frac{90946}{(1+90946(5\%)^2} = \frac{90946}{206.58.40} = \mathbf{398}$$

Based on the sample size determination formula, the sample size for the quantitative data collection was 398.

8.5.3 Sample Size

The sample size is drawn in the following table; the microfinance institutions that provide their services to the beneficiaries were identified, and their number was ten institutions, the number of their active clients was 90,946 active clients, the sampling technique is proportionate stratified random and the sample size was 398.

Table 2 Sample size

No.	Institution	Number of Active Clients 2021	Percentage	Sample
1.	**Kuraimi Islamic MF Bank**	9972	11.00%	44
2.	**National Microfinance Foundation**	12277	13.60%	54
3.	**Nama Microfinance Foundation**	7131	7.80%	31
4.	**Al-Amal Micro finance Bank**	34446	37.90%	151
5.	**Hadhramout Microfinance Program**	6723	7.40%	29
6.	**Tadhamon Microfinance**	5338	5.80%	23
7.	**Azal Islamic Microfinance**	4019	4.40%	18
8.	**Union Microfinance Program**	3052	3.30%	13
9.	**Yemen Kuwait Bank**	567	0.70%	3
10	**Aden Microfinance Foundation**	7421	8.10%	32
	Total	**90946**	**100%**	**398**

Source: Small Enterprise's Development Fund (SEDF) report June 2021

8.6 Research tools and software packages used

The obtained data will be analyzed and interpreted to be valuable, offer the essential answers to the research questions, and meet the study's objectives. The application of logic to interpret the obtained data is referred to as data analysis. The kind of variable, the nature of the variable,

the shape of the variable distribution, and the adaptability of the research design to gather data about variables all influence the choice of data analysis. Statistical approaches are classified into two types: descriptive statistics and inferential statistics. Descriptive statistics summarise the main features of a population or sample and provide a clear and understandable summary of the data. In contrast, inferential statistics are used to extrapolate results from a sample to a population (Zikmund *et al.*, 2009).

To analyze the field-surveyed data, the Statistical Package for Social Science (SPSS) and Smart PLS were employed, and the data were coded using the five-Likert scale. Number (3) is utilized as a hypothetical mean for the study and is calculated using the following formula: M= [1+2+3+4+5]/5=15/5=3

The range is defined as "the difference between the greatest and smallest value on the scale," hence the range is (5-1=4). Then, because it is the largest value on the scale (4/5=0.80), it is divided by five, resulting in a cell length of (4/5 = 0.80).

The most negligible value of the scale is then added to the cell length to determine the maximum boundaries of the scale, yielding the following: if the mean determined from the data is in the range of (1-1.80), the respondents' view on this item is not entirely "Strongly Disagree." Similarly, if the computed mean falls between the range of (1.81-2.60), the respondents' view on the issue is "Disagree." Similarly, if the counted mean falls within the range of (2.61-3.40), the respondents' attitude toward the item is "Neutral." Also, if the calculated mean falls within the range of (3.41-4.20), the respondents' opinion on this item is "Agree." Finally, if the computed mean falls within the range of (4.21-5), the respondents "Strongly Agree" on this question.

To test the theoretical model of this study, Partial Least Squares Structural Equation Modeling (PLS-SEM) route modeling (Wold, 1985) of Smart PLS 3.2.9 software was used. Because it mimics the traditional regression technique, PLS path modeling was deemed the most acceptable technique in this study. It has the advantage of simultaneously evaluating the associations between indicators and their related latent constructs, measurement model (outer model), and constructs, structural model (inner model) (Chin, Marcolin, & Newsted, 2003; Duarte & Raposo, 2010; Lohmoller, 1989). Furthermore, this strategy is especially useful when the model is complex (Henseler *et al.*, 2009; Wold, 1985).

When compared to other route modeling tools (for example, AMOS; Analytical of Moment Structures), the Smart PLS 3.2.9 software was chosen as an analysis tool due to its user-friendly graphical user interface. Several phases in the data analysis were completed before performing PLS analysis. First, SPSS was used to screen the acquired data to confirm that it

was suitable for the PLS analysis. Individual item reliabilities, internal consistency reliabilities, convergent validity, and discriminant validity were then evaluated using Smart PLS 3.2.9 software to evaluate the measurement model (Henseler *et al.*, 2009; Ringle *et al.*, 2014). The structural model was then evaluated using a bootstrapping technique using 5000 bootstrap samples (Hair, Hult, Ringle, & Sarstedt, 2014; Hair, Sarstedt, Ringle, & Mena, 2012). The significance of the path coefficients, the level of R-squared, and the model's predictive power were calculated. Finally, the mediating influence of level of satisfaction on the link between MFIs services (microcredit, training, and advisory) and performance of MSEs (profitability, sales growth, employment growth, and increase in assets) was investigated in accordance with Hayes (2013); Preacher and Hayes (2013,2004, 2008).

Also, Independent T-test and One-way ANOVA are used to find out differences in groups of respondents' perceptions, whereas the Independent T-test is a type of inferential statistic used to determine whether or not there is a significant difference in the means of two groups, which may be related to certain characteristics. It is a tool for comparing sample means to see if there is enough evidence to infer that the means of the corresponding population distributions differ as well. On the other hand, One-way ANOVA: "One-way analysis of variance (abbreviated one-way ANOVA) is a technique for comparing the means of more than two samples" (using the F distribution). This technique is only applicable to numerical response data, (Y), which is usually one variable, and numerical or (usually) categorical input data, (X), which is always one variable, thus (one-way)".

9 Scope of the Study

This study tries to explain the impact of microfinance institutions on the performance of micro and small enterprises in Yemen. This study will be focused on micro and small enterprises that only accessed the services from microfinance institutions in Yemen until June 2021. The study focuses only on the active clients of MFIs in Yemen. This study is an academic study that tries to come out with new information and to read and examine the impact of the services provided by MFIs on the performance of micro and small enterprises based on a purely scientific view of the actual situation of the microfinance banking industry in Yemen.

10 Significance of Study

This study has significant implications for theory and practice. This study contributes to the body of knowledge on the role of microfinance institutions' services on the performance of micro and small enterprises and also the mediating effects of level of satisfaction.

The significance of this research resides in the vision sought by all communities and states for economic development, which focuses on constructing the essential infrastructure to increase national income and the per capita income of individuals, thereby enhancing their standard of living. Economic growth is achieved by assisting the small and microenterprise sectors, as well as the microfinance industry. The study is thought to be helpful to a variety of institutions, including microfinance institutions (MFIs), community organizations, funding agencies, financial institutions, policymakers, micro and small enterprises (MSEs), and, most importantly, the poor community at large.

11 Limitation of the Study

The present research has a number of limitations that should be considered when interpreting the finding;

1. The study has some constraints that indicate the study's possible limitations. The constraints originate from a lack of adequate data MFIs activity (microfinance clients). The majority of MFIs lack current operational data on their clients. As a result, data were limited to primarily primary data obtained through questionnaire administration. MSEs were also discovered to lack adequate financial data on their business operations.
2. Some questions may have been answered with a bias on the part of the respondents.
3. The survey method was used for this study. The analysis was based on the survey respondents' opinions. This could be closer to the truth.
4. Another limitation is the cross-sectional research approach, in which all the included variables in the hypothesized model are evaluated at the same time.
5. The present study focused on the impact of MFIs services on the performance of MSEs only in Yemen, which restricts the findings of this study.

12 Chapter Scheme

Chapter I: Introduction.

This chapter contains the introduction to the study, the conceptual framework, the statement of the problem, research questions, the conceptual framework of the proposed model, objectives of the study, hypotheses of the study, research design and methodology, scope of the study, significance of the study, limitations of the study, and chapter scheme.

Chapter II: Review of Literature.

To understand and grasp the impact of microfinance institutions on micro and small enterprises, this chapter contains an insight into the various research studies conducted on the Impact of microfinance institutions on micro and small enterprises. At the end of the chapter, research gaps and a conceptual model have been discussed.

Chapter III: Microfinance Institutions (MFIs) and Micro and Small Enterprises (MSEs) - An overview.

Microfinance institutions and their impacts on the micro and small enterprises are discussed elaborately to provide the components involved in how MFIs can be affected on the performance of MSEs during the information processing to get services. To identify the core values that microfinance institutions have offered to micro and small enterprises.

Chapter IV: Direct and Indirect Impact of Microfinance Institutions on Performance of Micro and Small Enterprises.

This chapter essentially highlights the analyses based on the data collated through a questionnaire related to the impact of microfinance institutions on the performance of micro and small enterprises. Therefore, in the analyses and interpretations regarding the impact of microfinance institutions on the performance of micro and small enterprises, this chapter discusses the findings from data analysis utilizing Structural Equation Modeling (SEM) by using the Partial Least Squares (PLS) path modeling method.

Chapter V: Summary and Conclusion.

Summary And Conclusions provides a quick summary of the research's significant findings; for the direct and indirect impact of MFIs services on the performance of MSEs in Yemen second; it gives the implications of the study, and this chapter gives a few

recommendations for microfinance institutions and the government sector to improve MSE performance. Finally, the chapter finishes with a direction for future research and research conclusions.

13 Summary of Findings

13.1 Introduction

This research aims to conduct an analytical study of the opinions of owners of micro and small enterprises (MSEs) on services provided by microfinance institutions (MFIs) in Yemen and how it impacts on their enterprise's performance.

This chapter discusses the most important research findings. Based upon the data analysis, it provides a summary of the most important research findings. Accordingly, findings based on the assessment of measurement model/ outer model, findings based on assessment of structural model/ inner model and direct effects of exogenous variables on endogenous variables, direct effects of exogenous variables on mediating variable, and the mediating effect of level of satisfaction between MFIs services and performance of MSEs have been discussed, and findings of differences in groups of respondents' perceptions have been given. Then this chapter provides the implications of the study, the most recommendations, the direction for future research and the conclusion.

13.2 Assessment of Measurement Model/ Outer Model

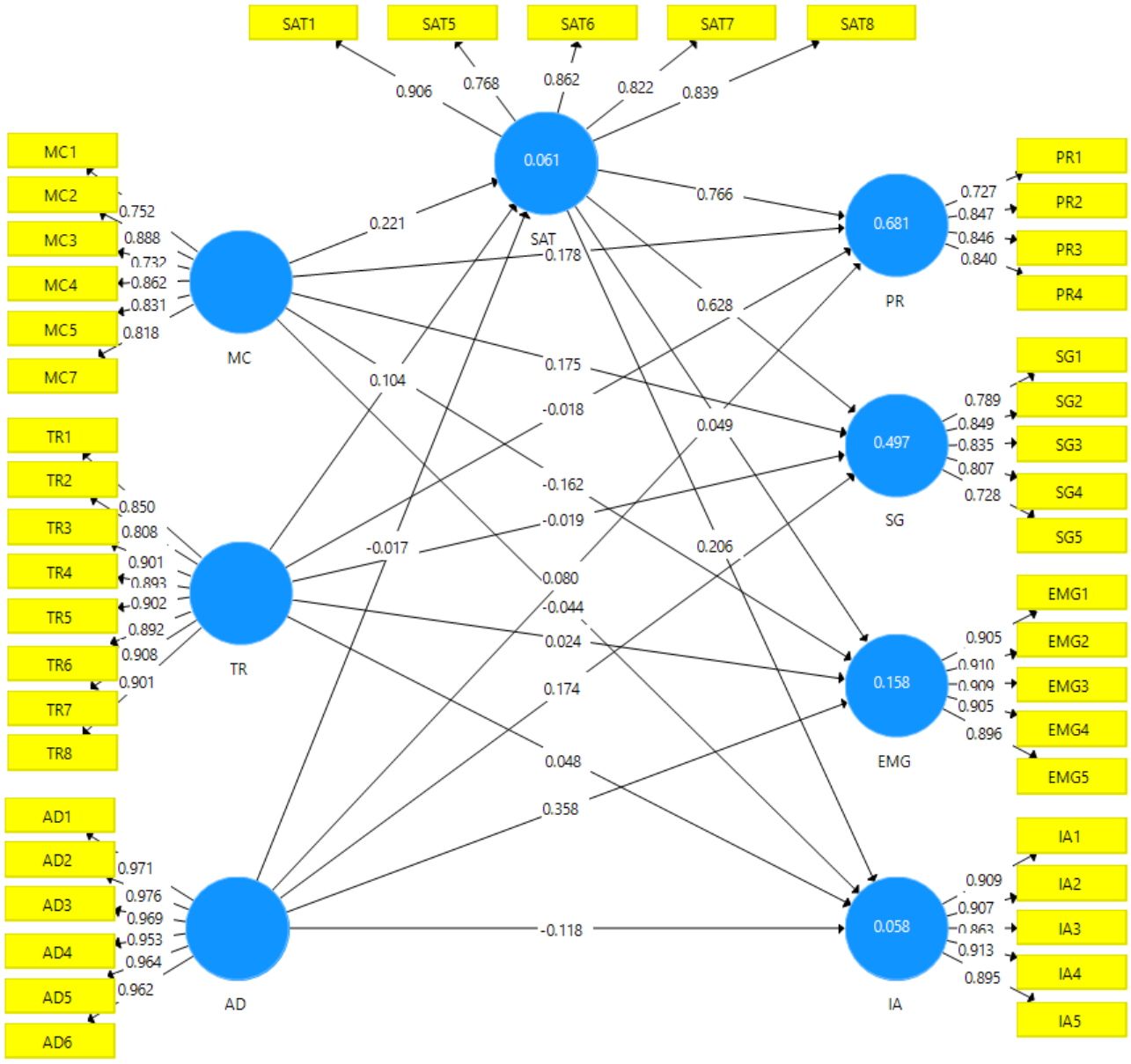
A measurement model's assessment, also known as the outer model, entails determining individual item reliability, internal consistency reliability, content validity, convergent validity, and discriminant validity (Hair *et al.,* 2014; Hair *et al.,* 2012; Henseler *et al.,* 2009). The measurement model is depicted in Figure 2.

The measurement model was evaluated by assessing each construct item's outer loadings. Loading values greater than or equal to 0.70 were suggested for this analysis. That would indicate satisfactory reliability if the measured construct could be found to account for 50% of the variance in the indicator (Hair *et al.,* 2014). Four of the 48 entries were eliminated. As a result, 44 components with loadings ranging from 0.727 to 0.976 were kept in the entire model. The extent to which all components are measured on a specific (sub)similar concept is internal consistency reliability (Sun *et al.,*2007; & Bijttebier *et al.,*2000). In social science research, Cronbach's alpha, and composite reliability are the most widely used to measure

items' internal consistency; the reliability value was greater than 0.70, which is considered as satisfactory for an adequate model ((McCrae *et al.*, 2010, & Terracciano, 2010; & Peterson & Kim, 2013). The convergent validity of reflective measurement model indicators was assessed using the Average Variance Extracted (AVE) method, as recommended by (Fornell & Larcker, 1981; Hair *et al.*, 2010). Examining the (AVE) of each latent construct was used to assess convergent validity. Chin (1998) recommended that the AVE of each latent construct be 0.50 or greater in order to achieve adequate convergent validity. The AVE values in this study had high loadings (> 0.50).

The discriminant validity was determined using the Chin (1998) criterion by comparing the indicator loadings with other reflective indicators in the cross-loading table. For evaluating discriminant validity, Fornell and Larcker (1981) recommended using AVE with a score of 0.50 or higher as a rule of thumb. The square root of the AVE should be greater than the correlations among latent constructs in order to achieve adequate discriminant validity (Fornell & Larcker, 1981). There have been various complaints levelled against the Fornell-Larkin-Sarker index. Demonstrated an alternate approach, the HTMT (heterotrait-monotrait) ratio of associations based on a multitrait-multimethod matrix, and argued that the original measure failed to adequately detect a lack of discriminant validity in general research contexts. The results of this study's assessment of HTMT's discriminant validity; show that all values were below the cut-off value of 0.90, showing that the test was able to distinguish between groups. Chin (1998) contends that comparing indicator loadings to cross-loadings can evaluate discriminant validity. This research was motivated by his suggestion that all indicator loadings be bigger than cross-loadings. In the table, the indicator loadings are compared to other reflective indicators. For further analysis, all indicator loadings were greater than cross-loadings, showing adequate discriminant validity.

Figure 2 The measurement model with factor loadings and beta values



Source: Survey Data

13.3 Findings Based on Assessment of Structural Model/ Inner Model

The structural model's findings are then provided, including the multicollinearity test, coefficient of determination (R2), effect size (F2), construct cross-validated redundancy (Q2), the predictive power of the model, significance of the path coefficients, and finally, the findings of parallel PLS-SEM analysis of the mediating effects of the level of satisfaction on the structural model are presented.

13.3.1 Multicollinearity Test

The degree to which a variable can be explained by other variables is referred to as multicollinearity. When the researcher considers more than one exogenous variable to predict an endogenous variable in the study, this is called multicollinearity. The multicollinearity problem can be identified if there is any link between the exogenous variables. Tolerance and Variance Inflation Factor (VIF) are examples of collinearity statistics. As the VIF value is less than five and the tolerance level value is more significant than 0.2, the findings of the multiple regression analysis attest to the fact that there are no multicollinearity issues in the data set.

13.3.2 Hypotheses Testing

When using PLS-SEM, structural models are evaluated using an R^2 value or the coefficient of determination (Henseler *et al.*,2009; Hair *et al.*,2011;& Hair *et al.*,2012). This suggests that the four sets of exogenous variables and mediator variable (i.e., Microcredit, Training, Advisory, and Level of Satisfaction) collectively explained 67.8% of the variance in profitability, the effect is considered high because it is more than 67%; 49.2 % in sales growth, the R^2 is considered moderate because it's more than 33%; 15.1 % of the total variance in employment growth the R^2 is considered weak because it's less than 19%; and 4.8% of the total variance in an increase in assets same to employment growth the R^2 is considered weak because it's less than 19%. Also, the three sets of exogenous variables collectively explained only 5.2% of the variance in the level of satisfaction, respectively.

This study also examined effect sizes (F^2). According to Hair et al.,2017, the variation in F^2 values must be explored. Cohen (1998) presents a scale-based method for determining the degree of an effect (0.02, 0.15, and 0.35, which signify small, medium, and large effects in order). F^2 results suggest three relationships with medium effect size and two relationships with small effect size.

This study used the blindfolding approach to assess the predictive relevance of the recommended model. (Hair *et al.*,2017) advised that this technique be utilized exclusively on endogenous variables with reflecting measurements. If the Q^2 value is greater than 0, the proposed model has predictive relevance for various endogenous variables. (Fornell, Cha 1994, & Hair *et al.*,2017). All Q^2 values in this study were greater than zero (ranging between 0.040 and 0.420).

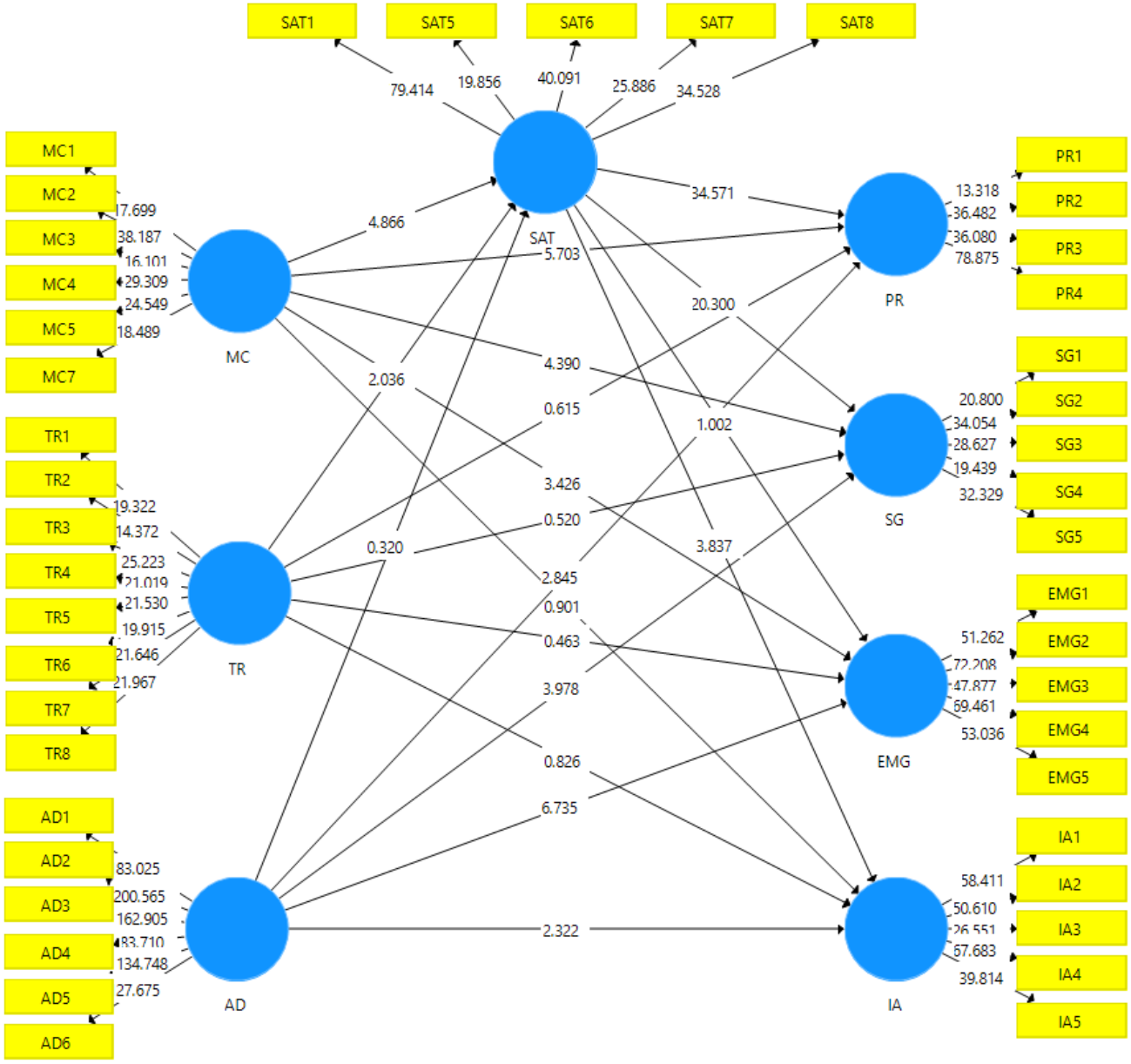
For the predictive power of the model, the results show the difference between the PLS models as well as the LM, where the errors of the PLS model are less than the errors of the naïve LM benchmark (PLS– LM), and according to Hair *et al.*,2019, a medium predictive capacity is indicated if the minority (or the same number) of indicators in the PLS-SEM analysis provide more significant prediction errors than the naïve LM benchmark.

Table 3 Structure results

Latent variables	Adjusted R^2	F^2	Q^2
Profitability	0.678	0.217	0.419
Sales Growth	0.492	0.25	0.246
Employment Growth	0.151	0.134	0.124
Increase in Assets	0.048	0.053	0.043
Level of Satisfaction (Mediator Variables)	0.052	0.055	0.041

Source: Survey Data

Figure 3 The structure model along with T -values



Source: Survey Data

13.3.3 Summary of Findings Related to the *Direct Effects of Exogenous Variables on the Endogenous Variables*

Table 4 Summary of Hypotheses Testing Related to the Direct Effects of MFIs services on the performance of MSEs

Hypotheses No.	Hypotheses	Beta	T-value	P-value	Result
H 1	Microcredit has a significant impact on the profitability of MSEs in Yemen.	0.178	5.605	**0.000*****	**Accepted**
H 2	Microcredit has a significant impact on the sales growth of MSEs in Yemen.	0.175	4.428	**0.000*****	**Accepted**
H 3	Microcredit has a significant impact on the employment growth of MSEs in Yemen.	-0.162	3.330	**0.001*****	**Accepted**
H 4	Microcredit has a significant impact on the increase in assets of MSEs in Yemen.	-0.044	0.882	0.378	**Rejected**
H 5	Training has a significant impact on the profitability of MSEs in Yemen.	-0.018	0.623	0.533	**Rejected**
H 6	Training has a significant impact on the sales growth of MSEs in Yemen.	-0.019	0.525	0.600	**Rejected**
H 7	Training has a significant impact on the employment growth of MSEs in Yemen.	0.024	0.458	0.647	**Rejected**
H 8	Training has a significant impact on the increase in assets of MSEs in Yemen.	0.048	0.844	0.399	**Rejected**
H 9	Advisory has a significant impact on the profitability of MSEs in Yemen.	0.080	2.890	**0.004****	**Accepted**

H 10	Advisory has a significant impact on the sales growth of MSEs in Yemen.	0.174	4.023	**0.000*****	**Accepted**
H 11	Advisory has a significant impact on the employment growth of MSEs in Yemen.	0.358	6.793	**0.000*****	**Accepted**
H 12	Advisory has a significant impact on the increase in assets of MSEs in Yemen.	-0.118	2.321	**0.020***	**Accepted**
H 13	Microcredit has a significant impact on the level of satisfaction of MSEs.	0.221	4.801	**0.000*****	**Accepted**
H 14	Training has a significant impact on the level of satisfaction of MSEs.	0.104	2.040	**0.041***	**Accepted**
H 15	Advisory has a significant impact on the level of satisfaction of MSEs.	-0.017	0.320	0.779	**Rejected**
H16	Level of satisfaction has a significant impact on the profitability of MSEs.	0.766	35.191	**0.000*****	**Accepted**
H17	Level of satisfaction has a significant impact on the sales growth of MSEs.	0.628	20.767	**0.000*****	**Accepted**
H18	Level of satisfaction has a significant impact on the employment growth of MSEs.	0.049	0.985	0.325	**Rejected**
H19	Level of satisfaction has a significant impact on the increase in assets of MSEs.	0.206	3.873	**0.000*****	**Accepted**

Source: Survey Data

Note. ***P< 0.001; **P<0.01; *P< 0.05.

13.3.3.1 Direct Effects of Exogenous Variables on the Endogenous Variables

The primary objective of this study is to know the impact of microfinance institutions' services, i.e., (microcredit, training, and advisory) on the performance, i.e. (profitability, sales growth, employment growth, and increase in assets) of micro and small enterprises in Yemen. Upon investigation and examination of the data therein, the study found that only two services have impacted on the performance of MSEs, which are microcredit and advisory. This section presents the results of the direct effect of services provided by MFIs on the performance of MSE on the various significance levels regarding all the variables, the direct effects of MFIs services on the level of satisfaction and at the end, the direct effects of level of satisfaction on the performance of MSEs has been discussed.

Direct Effects of Microcredit on Profitability of MSEs

As illustrated in table (4) above, the impact of microcredit on the profitability of MSEs was significant, supporting the first hypothesis.

Direct Effects of Microcredit on Sales Growth of MSEs

The relationship between microcredit and sales growth of MSEs was found to be significant, supporting the 2nd hypothesis.

Direct Effects of Microcredit on Employment Growth of MSEs

The impact of microcredit on the employment growth of MSEs was significant, as shown in table (4) above, supporting the 3rd hypothesis.

Direct Effects of Microcredit on Increase in Assets of MSEs

Unexpectedly, microcredit provided by MFI and an increase in assets were found to be not significantly, as shown in table (4), not supporting the 4th hypothesis

Direct Effects of Training on Profitability of MSEs

The impact of training on the profitability of MSEs was not significant, as shown in table (4) above, not supporting the 5th hypothesis.

Direct Effects of Training on Sales Growth of MSEs

The impact of training on the sales growth of MSEs was not significant, as shown in table (4), not supporting the 6th hypothesis.

Direct Effects of Training on Employment Growth of MSEs

The present study found that there is no significant link between the training service provided by MFIs and the employment growth of MSEs, as shown in table (4), not supporting the 6th hypothesis.

Direct Effects of Training on Increase in Assets of MSEs

The impact of training on the increase in assets of MSEs was not significant, as shown in table (4) above, not supporting the 8th hypothesis.

Direct Effects of Advisory on Profitability of MSEs

As illustrated in table (4) above, the impact of advisory on the profitability of MSEs was significant, supporting the 9th hypothesis.

Direct Effects of Advisory on Sales Growth of MSEs

The relationship between advisory and sales growth of MSEs was found to be significant, supporting the 10th hypothesis.

Direct Effects of Advisory on Employment Growth of MSEs

The impact of advisory on the employment growth of MSEs was significant, as shown in table (4), supporting the 11th hypothesis.

Direct Effects of Advisory on Increase in Assets of MSEs

The impact of advisory on the increase in assets of MSEs was significant, as shown in table (4) above, supporting the 12th hypothesis.

13.3.3.2 Direct Effects of MFIs services on the level of Satisfaction of MSEs

This section aims to measure the level of satisfaction of MSEs with microfinance institutions' services, i.e., (microcredit, training, and advisory) in Yemen.

Direct Effects of Microcredit on Level of Satisfaction of MSEs

As illustrated in table (4), the impact of microcredit on the level of satisfaction of MSEs was significant, supporting the 13th hypothesis.

Direct Effects of Training on Level of Satisfaction of MSEs

The impact of training on the level of satisfaction of MSEs was significant, which supports the 14th hypothesis.

Direct Effects of Advisory on Level of Satisfaction of MSEs

The impact of advisory on the level of satisfaction of MSEs was not significant, which does not support the 15th hypothesis.

13.3.3.3 Direct Effects of the level of satisfaction on the performance of MSEs

This section aims to know the impact of the level of satisfaction on the performance of MSEs in Yemen.

Direct Effects of level of satisfaction on the profitability of MSEs

As illustrated in table (4) above, the impact of level of satisfaction on the profitability of MSEs was significant, supporting the 16th hypothesis.

Direct Effects of level of satisfaction on the sales growth of MSEs

The impact of the level of satisfaction on the sales growth of MSEs was significant, which supports the 17th hypothesis.

Direct Effects of level of satisfaction on the employment growth of MSEs

The impact of the level of satisfaction on the employment growth of MSEs was not significant; as shown in table (4) above, it does not support the 18th hypothesis.

Direct Effects of level of satisfaction on the increase in assets of MSEs

The impact of the level of satisfaction on the increase in assets of MSEs was significant, which supports the 19th hypothesis.

13.3.3.4 Mediating Effect of Level of Satisfaction between MFIs services and performance of MSEs

This study investigated the role of the level of satisfaction that mediates the relationship between microfinance institutions' services, i.e., (microcredit, training, and advisory) and the performance, i.e. (profitability, sales growth, employment growth, and increase in assets) of micro and small enterprises in Yemen.

This section presents the results of the indirect effect of services provided by MFIs on the performance of MSE on the various significance levels regarding all the variables.

Upon investigation and examination of the data therein, the study found that the level of satisfaction mediates the relationship between only two services on the performance of MSEs, which are microcredit and training, and the remaining service, which is advisory, has no impact on the performance of MSEs with mediate the level of satisfaction. Five hypotheses are accepted, whiles seven are not accepted.

Table 5 Summary of Hypotheses Testing Related to the Indirect Effects of MFIs services on the performance of MSEs

Hypotheses No.	Hypotheses	Beta	T-value	P-value	Result
H 20	Level of satisfaction mediates the relationship between Microcredit and the profitability of MSEs.	0.169	4.976	**0.000*** **	**Accepted**
H 21	Level of satisfaction mediates the relationship between Microcredit and Sales Growth of MSEs.	0.138	4.940	**0.000*** **	**Accepted**
H 22	Level of satisfaction mediates the relationship between Microcredit and the Employment growth of MSEs.	0.011	0.886	0.376	**Rejected**
H 23	Level of satisfaction mediates the relationship between Microcredit and the Increase in assets of MSEs.	0.046	2.807	**0.005** **	**Accepted**
H 24	Level of satisfaction mediates the relationship between Training and profitability of MSEs.	0.080	2.036	**0.043***	**Accepted**
H 25	Level of satisfaction mediates the relationship between the Training and Sales Growth of MSEs.	0.066	2.032	**0.042***	**Accepted**
H 26	Level of satisfaction mediates the relationship between the Training and Employment growth of MSEs.	0.005	0.784	0.421	**Rejected**
H 27	Level of satisfaction mediates the relationship between Training and an Increase in assets of MSEs.	0.022	1.722	0.086	**Rejected**
H 28	Level of satisfaction mediates the relationship between Advisory and profitability of MSEs.	-0.013	0.320	0.749	**Rejected**
H 29	Level of satisfaction mediates the relationship between Advisory and Sales Growth of MSEs.	-0.011	0.318	0.750	**Rejected**

H 30	Level of satisfaction mediates the relationship between Advisory and Employment growth of MSEs.	-0.001	0.215	0.830	**Rejected**
H 31	Level of satisfaction mediates the relationship between Advisory and increase in assets of MSEs.	-0.004	0.304	0.761	**Rejected**

Source: Survey Data

Note. ***P< 0.001; **P<0.01; *P< 0.05.

Five hypotheses (H20, H21, H23, H24, and H25) were found to be significant. Which are (H20) the level of satisfaction mediates the relationship between microcredit and the profitability of MSEs, (H21) the level of satisfaction mediates the relationship between microcredit and sales growth of MSEs, (H23) the level of satisfaction mediates the relationship between microcredit and the increase in assets of MSEs, (H24) the level of satisfaction mediates the relationship between training and profitability of MSEs, and (H25) the level of satisfaction mediates the relationship between training and sales growth of MSEs. Discussions on these results have been done based on mediating relationships as follows:

Firstly, hypothesis (H20) states that the level of satisfaction mediates the relationship between microcredit and the profitability of MSEs. The present study observed that the link between microcredit and the profitability of MSEs was mediated by the level of satisfaction of the beneficiaries. The following hypothesis (H21) states that the level of satisfaction mediates the relationship between microcredit and sales growth of MSEs; as hypothesized, the level of satisfaction of the beneficiaries was discovered to mediate the relationship between microcredit and sales growth of MSEs. Thirdly, hypothesis (H23) states that the level of satisfaction mediates the relationship between microcredit and the increase in assets of MSEs. Unexpectedly, the level of satisfaction mediates the relationship between microcredit and the increase in assets of MSEs; it is Unexpected because, in the direct effect, there was no effect of microcredit on the increase in assets of MSEs, but in the indirect effect, the level of satisfaction was found to mediate the relationship between microcredit and the increase in assets of MSEs. The following hypothesis (H24) states that the level of satisfaction mediates the relationship between training and profitability of MSEs, and the level of satisfaction of the beneficiaries was discovered to mediate the relationship between training and profitability of MSEs. The next hypothesis (H25) states that the level of satisfaction mediates the

relationship between training and sales growth of MSEs, and the level of satisfaction of the beneficiaries was discovered to mediate the relationship between training and sales growth of MSEs.

Not Significant Mediation Effects

The rest hypotheses (H22, H26, H27, H28, H29, H30, and H32) were found to be not significant.

Firstly, hypothesis (H22) states that the level of satisfaction mediates the relationship between microcredit and the employment growth of MSEs. Unexpectedly, the result indicated that the level of satisfaction did not mediate the relationship between microcredit and the employment growth of MSEs.

Next, hypothesis (H26) states that the level of satisfaction mediates the relationship between training and the employment growth of MSEs. The result indicated that the level of satisfaction did not mediate the relationship between training and the employment growth of MSEs. Next, hypothesis (H27), which states that the level of satisfaction mediates the relationship between training and the increase in assets of MSEs. The level of satisfaction does not mediate between training and an increase in assets, as shown in table (5.3), not supporting the 27th hypothesis. The following hypothesis (H28) states that the level of satisfaction mediates the relationship between advisory and profitability of MSEs. The result indicated that the level of satisfaction did not mediate the relationship between the advisory provided by MFIs and the profitability of MSEs. The following hypothesis (H29) which states that the level of satisfaction mediates the relationship between advisory and the sales growth of MSEs. The level of satisfaction does not mediate the advisory on the sales growth of MSEs. The other hypothesis (H30) states that the level of satisfaction mediates the relationship between advisory and the employment growth of MSEs. The result shows that the level of satisfaction did not mediate the relationship between advisory and the employment growth of MSEs. The last hypothesis (H31) in this study states that the level of satisfaction mediates the relationship between advisory and increase in assets of MSEs, the level of satisfaction has no mediating effect on advisory on the increase in assets of MSEs.

Based on the results of the last hypotheses (H28, H29, H30, and H31), which related to the mediation of the level of satisfaction between advisory services provided by MFIs and performance, i.e. (profitability, sales growth, employment growth, and increase in assets) of micro and small enterprises in Yemen was not accepted.

13.4 Relations of Demographics with the MFIs Services and Performance of MSEs.

To test this hypothesis, an independent samples T-test and a one-way ANOVA are used to see if there is a statistically significant difference between respondents' responses to the demographic variables (a) gender, (b) age, (c)educational level, (d) years of business experience, and (e) type of business, toward the MFIs services and performance of MSEs in Yemen. Based on the that, the variables are divided into groups in order to find statistically significant differences between the demographic variables of the respondents and their opinions on MFIs services and the performance of MSEs:

Table 6 Summary of Hypotheses Related to Differences in Groups of Respondents' Perceptions

Hypo No.	Hypotheses	P-value	MFIs services	P-value	Performance of MSEs
H28.1	There is a statistically significant difference in the respondent's perceptions towards MFIs services and the performance of MSEs attributed to gender	**0.089**	**Rejected**	**0.135**	**Rejected**
H28.2	There is a statistically significant difference in the respondent's perceptions towards MFIs services and the performance of MSEs attributed to the Age Group	**0.064**	**Rejected**	**0.216**	**Rejected**
H28.3	There is a statistically significant difference in the respondent's perceptions towards MFIs services and the performance of MSEs attributed to Educational Level	**0.002****	**Accepted**	**0.022****	**Accepted**
H28.4	There is a statistically significant difference in the respondent's perceptions towards MFIs services and the performance of MSEs	**0.020****	**Accepted**	**0.169**	**Rejected**

	attributed to years of business experience				
H28.5	There is a statistically significant difference in the respondent's perceptions towards MFIs services and the performance of MSEs attributed to the type of business	**0.675**	**Rejected**	**0.001****	**Accepted**

Source: Survey Data

Note. ***P< 0.001; **P<0.01; *P< 0.05.

13.4.1 Gender

Table (6) demonstrates the patterns of perceptual differences in the gender of the respondents in Yemen as "Male and Female" concerning microfinance institutions' services and the performance of MSEs.

Table (6) shows no statistically significant differences between the means of the respondents' answers towards the study dimensions represented in microfinance institutions' services and the performance of MSEs due to gender. Using the adopted independent sample T-test, the T-test result of the services provided by MFIs is (-0.665), while the t-test result of the performance of MSEs is (0.503). The p-value is **(**0.089**,** 0.135**)**, respectively, which is higher than the significance level adopted in the current study (0.05). Hence, it is not statistically significant. Consequently, the hypothesis, which states statistically significant differences between the mean of the respondent's responses to the impact of microfinance institutions on the performance of micro and small enterprises in Yemen due to gender, is rejected.

13.4.2 Age Group

One-way ANOVA is used to find out the patterns of perceptual differences in the respondents' views in the respondents due to their age concerning the impact of microfinance institutions on the performance of micro and small enterprises in Yemen.

Table (6) shows no statistically significant differences among the respondent's responses to the services provided by the microfinance context due to the respondents' age. The F value is 2.438, and the p-value is 0.064, higher than the significant level of 0.05. Hence, there are no statistically significant differences. Similarly, there are no statistically significant differences among the respondent's responses to the performance of MSEs context according to the

demographic characteristic "age." The F value is 1.492, and the p-value is 0.216, higher than the significant level of 0.05. Hence, there are no statistically significant differences. Consequently, there are no statistically significant differences between the means of the respondents' answers towards the study dimensions represented in the impact of microfinance institutions on the performance of micro and small enterprises in Yemen due to the age group.

13.4.3 Educational Level

One-way ANOVA is used to find out the patterns of perceptual differences in the respondents' views in the respondents due to their educational level concerning the impact of microfinance institutions on the performance of micro and small enterprises in Yemen.

Table (6) shows statistically significant differences among the respondent's responses to the services provided by the microfinance context due to the respondents' educational levels. The F value is4.445, and the p-value is 0.002, less than the significant level of 0.05. Hence, there are statistically significant differences. Similarly, there are statistically significant differences among the respondent's responses to the performance of MSEs context according to the demographic characteristic "educational level." The F value is 2.903, and the p-value is 0.022, less than the significant level of 0.05. Hence, there are statistically significant differences. Consequently, there are statistically significant differences between the means of the respondents' answers regarding the study dimensions represented in the impact of microfinance institutions on the performance of micro and small enterprises in Yemen due to the educational level.

13.4.4 Years of Business Experience

One-way ANOVA is used to find out the patterns of perceptual differences in the respondents' views in the respondents due to their years of business experience concerning the impact of microfinance institutions on the performance of micro and small enterprises in Yemen.

Table (6) shows statistically significant differences among the respondent's responses to the services provided by the microfinance context due to the respondents' years of business experience. The F value is 2.946, and the p-value is 0.020, less than the significant level of 0.05. Hence, there are statistically significant differences. On the other hand, there are no statistically significant differences among the respondent's responses to the performance of MSEs context according to the demographic characteristic "years of business experience." The F value is 1.618, and the p-value is 0.169, higher than the significant level of 0.05. Hence,

there are no statistically significant differences. Consequently, there are statistically significant differences between the means of the respondents' answers regarding the study dimensions represented in the impact of microfinance institution's services, and there are no statistically significant differences in the performance of micro and small enterprises in Yemen due to the years of business experience.

13.4.5 Type of Business

One-way ANOVA is used to find out the patterns of perceptual differences in the respondents' views in the respondents due to their type of business concerning the impact of microfinance institutions on the performance of micro and small enterprises in Yemen.

Table (6) shows no statistically significant differences among the respondent's responses to the services provided by the microfinance context due to the respondents' type of business. The F value is 0.632, and the p-value is 0.675, higher than the significant level of 0.05. Hence, there are no statistically significant differences. On the other hand, there are statistically significant differences among the respondent's responses to the performance of MSEs context according to the demographic characteristic "type of business." The F value is 4.118, and the p-value is 0.001, less than the significant level of 0.05. Hence, there are statistically significant differences. Consequently, there are no statistically significant differences between the means of the respondents' answers regarding the study dimensions represented in the impact of microfinance institution's services, and there are statistically significant differences in the performance of micro and small enterprises in Yemen due to the type of business.

14 Implications of the Study

As previously recommended in the existing literature, there is a need to continue to investigate the impact of microfinance institutions (MFIs) services on the performance of Micro and Small Enterprises (MSEs) in Yemen. This study sought to ascertain microfinance services' direct and indirect impact on the performance of MSEs in Yemen. The study's results are noteworthy and could be useful to a wide range of parties in Yemen.

14.1 Theoretical Implications

The fundamental concept in the current study is microfinance institutions' services. The model demonstrates the impact of microfinance services in defining the performance of Micro

and Small Enterprises (MSEs) and the role of the level of satisfaction. The theoretical outcome of this study is that the examination of the level of satisfaction has contributed to the present literature on the performance of the MSEs field to accept the impact of MFIs services. The proposed theoretical model of this study has established additional correlations such as those between microcredit, training, and advisory services provided by MFIs and thus contributes to the initial models. Moreover, the level of satisfaction is a strong determinant of the performance of MSEs and a mediator between MFIs services and the performance of MSEs. Thus, the level of satisfaction is considered to be the most critical factor that leads to the competitive advantage due to the lack of studies on the role of the level of satisfaction in the relationship between MFIs services, and the performance of MSEs, the level of satisfaction with the services provided by MFIs is an important tool for the development of MSEs, the level of satisfaction in this study is considered an external factor. The present study try fills a gap in the literature by providing empirical evidence for the connection between Microfinance institutions (MFIs) services on the performance of Micro and Small Enterprises (MSEs) and the role of the level of satisfaction in this relationship. Thus, the current investigation on the impact of Microfinance institutions (MFIs) services on the performance of Micro and Small Enterprises (MSEs) would reveal the existing relationship and will broader the horizon of the concept of the level of satisfaction in the context of the performance of MSEs.

14.2 Practical Implications

Evaluating the study's findings, it is also necessary to present implications for practitioners in Yemen's microfinance sector. Based on the findings, this study has established a practical implication that must be followed appropriately in MFI operations in Yemen. In practice, MFIs operating in Yemen should guarantee that training and advising services are provided alongside microcredit to maximize its impact on MSE performance. MFIs should make microcredit available by offering flexible loan repayment terms, a sufficient loan size, and reasonable processing fees, loan deposits, and interest rates. Furthermore, training should be conducted regularly and efficiently, and MFIs should ensure that it contains the necessary content for effective skill development of MSE owners in financial planning, marketing, customer service management, budgeting, and other necessary skills to improve business performance.

MFIs should implement novel credit management strategies that would allow Yemeni MSEs to acquire larger loans in order to expand their entrepreneurial activity while using acceptable

credit risk management systems. Increasing investments in sales and other areas of business expansion would produce the necessary employment in Yemen.

The present study found that microcredit was a good tool and significantly increased the profitability of MSEs in Yemen. Microcredit has played an important role in filling the void and providing MSEs with access to the finance they need to grow and increase profitability; also, the finding suggests that the microcredit service can play an essential role in the sales growth of their business. This shows that when the owners of MSEs get microcredit from the MFIs, their sales will grow as a result of that. Microcredit was also an effective technique that contributed significantly to the employment growth of Yemeni MSEs.

14.3 Methodological Implications

Researchers have employed statistical packages like SPSS to examine the effects of MFI services on the performance of MSEs. This study employed a different analysis method, PLS-SEM, to clarify the interrelated constructs. In addition to principal components analysis, multiple regression, canonical correlation, and multivariate analysis of variance are all included in the PLS-SEM model. As a result, the application of this relatively new instrument for analysis has significant methodological implications. Initially, the application of PLS-SEM permits the testing of the robustness and predictive potential of the model that investigates the integrative linkages between MFIs services and the performance of MSEs with mediating role of the level of satisfaction. Secondly, the PLS-SEM analysis enables researchers to compare the results of past studies that employed distinct analytical methods. The validation of the primary data collection tool is a third methodological implication of this study. The convergent and discriminant validity findings demonstrated acceptable outcomes that exceeded the minimum limits.

15. Recommendations of the Study

The present study examined the impact of Microfinance institutions' services (MFIs) on the performance of Micro and Small Enterprises (MSEs) in Yemen. The findings of this study could lead to several recommendations. This section summarizes the study's most important policy implications and recommendations.

15.1 Recommendations for the Microfinance sector in Yemen

This study presents several suggestions for the microfinance sector to enhance its ability to assist micro and small enterprises, and they are as follows:

1. Microfinance institutions should establish a strategic plan to increase and diversify financial, technical, and business services provided to MSEs.

2. MFIs should focus more on the training services provided to its client because of the importance of training, especially for the new owners of MSEs who do not have enough experience running the business.

3. It is also critical that microfinance provides training and Self-Start programs to their borrowers so that they understand how to manage their business and deal with hazards in the future.

4. To enable the provision of appropriate services to MSEs, microfinance institutions should decrease the transaction costs to its client.

5. MFIs should reduce the interest rate on credit provided to the clients because most borrowers are not satisfied with the interest rate on the microcredit, and they believe there is no difference between loans provided by microfinance institutions and the loans provided by traditional banks.

6. Microfinance institutions should also develop effective plans to expand their reach and earnings.

7. Microfinance institutions should improve their operational self-sufficiency by making more loans with lower operating costs.

8. MFIs should avoid multiple lending to the same client in order to avoid the fate of the microfinance industry in Morocco and India in 2007 and 2010, respectively. So, the study suggests that a credit bureau and a database of all MFI clients should be established. This will reduce loan duplication and keep disadvantaged borrowers from becoming indebted.

9. Microfinance should not only provide only microcredit to its clients, but it should also be integrated with other services such as savings, training, and advisory in order to sustain the good impact of MFIs services to enhance the performance of MFIs. As a result, microfinance

institutions must focus their efforts on providing diverse financial and non-services other than microcredit, such as microinsurance, micro saving, money exchange, transfer services, training, advisory, and rehabilitation services. These services and products assist borrowers in managing their business and encourage them to consider new products and prospects through training and motivation programs. They also protect them from potential future hazards and compensate them for any potential losses.

10. There is an urgent need to offer training services for borrowers prior to and during the lending process; training in management, marketing, financial literacy, and other areas should be promoted. Because most of the clients enter the business field without enough experience in running the business or in the financial system, or even managing the employees, MFIs should provide these services to their clients before giving credit to them.

11. There is a need to offer advisory services for borrowers before and during the lending process; advisory on how to manage the finance, how to develop the business, advice on how to enter into new businesses, how to secure loans., etc. Because most of the clients enter the business field without enough experience in running the business or in the financial system, or even managing the employees, MFIs should provide these services to their clients before giving credit to them.

12. Microfinance institutions should focus on how to increase the number of active clients.

13. Microfinance institutions should focus more on group lending due to its economic and social importance.

15.2 Recommendations for the Government in Yemen

1. It is critical to establish a different agency or governmental body in the country that supervises and takes decisions about microfinance regulations and institutions. This committee will oversee the interactions of microfinance institutions, government agencies, and small companies.

2. The research also suggests that infrastructure be built to support the country's small and micro enterprise sector, which is backed by MFIs. These infrastructures may include the establishment of industrial compounds; particular local markets for marketing and selling

small and micro activity products and services; local and international exhibitions to promote these small products; and finally, the establishment of particular marketing companies to sell and market these products internationally.

3. There is a need to encourage and support commercial banks operating in diverse markets to contribute a percentage of their portfolios to support microfinance institutions functioning in the sector. This can be done if the central bank lowers the interest rates on treasury bills it gives to commercial banks and encourages them to work in the microfinance sector.

4. The study recommended the government to pay more attention to and review the current educational policy related to managerial skills such as financial skills, marketing skills, etc., and also the vocational and technical schools, as well as industrial and vocational training centers, to increase potential training capacity for skilled workers in the field of MSEs.

5. The study points to the need for finding a clear definition of micro, small, and medium industries to eliminate confusion between large and small industries in order to facilitate the obtaining of privileges for each one.

6. The study emphasized the need for an appropriate institutional framework to care for MSMEs. This new body will work on providing the necessary data for establishing such successful projects and the production of an industrial guide. This guide will contain a feasibility study of projects in various areas to attract small investors in coordination with the General Authority for Investment (GAI). In addition, the new body should work on conducting studies and ongoing research in MSMEs in various fields.

16 Direction for Future Research

This study cleared the path for future studies on the same topic to incorporate other characteristics into the analysis expanding on the range of possible conceptual models. The findings and Implications of this study suggest some research directions for future studies as follow:

1. In-depth future study on the exclusive impact of the business development services provided by MFIs on the performance of MSEs.

2. The present study examined the mediating role of the level of satisfaction from the external work context that is with the MFIs services. Future works on this topic could possibly consider the mediating role of the level of satisfaction based upon the internal state of mind, which is based on Herzberg's 1959 theory of job satisfaction.
3. The present study focused on the impact of MFIs services on the performance of MSEs only in Yemen, which restricts the findings of this study. Future studies on this topic could possibly consider multicounty or multicultural to improve generalization.
4. Given the successive crises that afflicted Yemen in recent years, future works on this topic should attempt to know the impact of MFIs services on the performance of MSEs due to these successive crises.
5. The present study focused on the mediating role of the level of satisfaction; future studies can accommodate the mediating role of other variables.
6. The present study focused on the mediating role of the level of satisfaction; future studies can accommodate the moderator, such as demographic factors, job tension, stress, etc., along with the mediator variable.

17 Conclusion

The goal of this part is to make final observations about the study. The main objective of this study was to investigate the impact of microfinance institutions (MFIs) services on the performance of Micro and Small Enterprises (MSEs) in Yemen. To accomplish this goal, the researcher evaluated the direct and indirect effects of MFIs services on the performance of MSEs with the mediating effect of the level of satisfaction. The following conclusions were reached as a result of the analysis: Both the microfinance sector and MSEs still face many challenges and difficulties for growth; for example, the microfinance sector faces some problems related to financing, as well as the impact of political and economic problems on the sector as a whole, and the weakness of the government side in supporting the microfinance sector in Yemen. As for the MSEs sector, it faces many problems, most notably the difficulty of obtaining financing; poor managerial, financial, and marketing experience; weak infrastructure; and the biggest challenge has been the impact of political problems since 2011. Microfinance institutions had an acceptable impact on the performance of MSEs in Yemen, but they must focus more on reducing the interest rate and also put more focus on training and advisory services because of their importance in qualifying MSE owners who have little experience in managerial and financial aspects.

In the end, a few studies have looked into the impact of microfinance institutions (MFIs) services on the performance of micro and small enterprises (MSEs) in Yemen, emerging countries, and the Middle East. As a result, the current study will add to the body of knowledge on how MFIs can affect the performance of MSEs; also, this study built a new model that has not been applied, which measures the effect of the level of satisfaction as a mediating variable between MFIs services and the performance of MSEs. It is intended that future academics will investigate the problems addressed in this study, implement the results of this study, and broaden the avenues offered by this research. Future research can be done in the above directions and look at how the services provided by MFIs affect the performance of MSEs. This can be done by taking steps to fix the current study's limitations.

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